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TO: Assistant Director for Research and Reports
Chief, Economic Research Area
THRU : Acting Chief, Industrial Division
Chief, Producers Equipment Branch

26 October 1959

Comments on Observations of Seymour Melman Concerning the Soviet
Machine Tool Industry

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1. Forwarded herewith are the comments of I/PK analyst, [REDACTED] on an article on Page 1 of The New York Times, October 26, 1959, entitled "Soviet Gaining in Machine Tools Over West, Expert Reports."

2. In this article Professor Melman reported on the Soviet use of mass production techniques in the manufacture of machine tools and warned of future Soviet domination of world machine tool markets.

3. Professor Melman has correctly reported the situation as it exists in the three plants which he visited. The Soviets in these and other plants are using mass production techniques, which, combined with the high priority accorded the machine tool industry, enabled them in 1958 to produce three times as many machine tools as the United States. Professor Melman's conclusions on efficiency cannot be applied to the Soviet machine tool industry as a whole, since the plants he visited are among the best in the industry, being considerably superior to the average Soviet machine tool plant.

4. The U.S. machine tool industry cannot effectively employ mass production techniques because the orders for individual types or models are too small to warrant large scale production.

5. The Soviets are currently exporting only small quantities of general-purpose machine tools outside the Bloc. We feel, however, that by 1965 they will be in a position to export large quantities of general-purpose machine tools at prices considerably below those of Western countries.

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[REDACTED]

Since he visited only the

"show plants" of the industry, which have been observed by numerous other specialists, we doubt that this report will be of much value to us.

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Attachment: (not in record)

[REDACTED]
Comments.

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